GLENTEL

annual report 2002

WIRELESS made simple

GLENTEL IS A LEADING PROVIDER OF WIRELESS COMMUNICATIONS SOLUTIONS IN NORTH AMERICA. ITS WIRELESS BUSINESS DIVISION FOCUSES ON WIRELESS COMMUNICATIONS SOLUTIONS FOR BUSINESS, INDUSTRY, AND GOVERNMENT. THE WIRELESSWAVE RETAIL DIVISION, THROUGH ITS WIRELESSWAVE RETAIL MALL STORES IN BRITISH COLUMBIA, ALBERTA, AND ONTARIO, CANADA, FOCUSES ON THE CELLULAR RETAIL MARKET WITH CHOICE IN NETWORK SERVICE PROVIDER, CELLULAR PHONES, RATE PLANS, AND ACCESSORIES.

Financial Highlights

Years ended December 31 (In thousands of dollars, except per share amounts)

	2002	2001 (Restated)	2000 (Restated)
Sales	$55,937	$ 49,386	$ 42,299
Operating income (loss)	$ 2,584	$ 431	$ (8,586)
Net income (loss)	$ 3,625	$ (2,574)	$ (10,963)
Net income (loss) per share – basic	$ 0.45	$ (0.32)	$ (1.39)

Letter to Shareholders

In this world of complexity and sophistication, there is a yearning to seek simplicity. Though technology has advanced and made huge strides, as people we seek to understand how to apply it in our daily lives to enable us to be more productive, efficient, and effective. Sometimes it is as simple as knowing what button to push – and when.

This is what drives our two divisions of Glentel. To take the various select wireless applications to our business clients, cellular products to our consumer clients, and deliver simplicity in the solutions we sell to them. This in turn brings them true satisfaction by delivering real tangible value with affordability, resolving the demanding voice and data communication needs in their everyday lives and businesses.

Our Glentel team has striven to deliver excellence in every facet of our business by offering quality products, quality services, quality supply partners, and quality customer service. We strive to be the best we can be in our industry, to our customers, and to our employees.

During 2002, Glentel had tremendous partner recognition. WirelessWave was recognized as the National Retail Partner of the year by Rogers A&T. Shell Canada and its partners recognized Glentel for service excellence to their Athabasca oil field project. Motorola Canada presented Glentel with the Summit Award in recognition of Glentel's outstanding two-way radio sales achievement in Canada. In addition, Motorola awarded Glentel the Motorola University Excellence award for our commitment to sales and service training. Glentel is proud to receive such recognition from its valued supply partners.

We have recognized a tremendous opportunity to leverage Glentel's unique position in North America, and in particular Canada, in providing business solutions utilizing wireless technology. Exploiting our assets and strengths in our terrestrial and satellite systems, our engineering and development expertise, and our service knowledge, has now aligned us to move forward in increasing our revenues and profitability in airtime, products, and customer service support in voice and data applications. Businesses need to gather data from many sources and locations in order to centralize the processing of information. Glentel designs, develops, and delivers the means of transport of this raw data. Data may originate from remote fixed or mobile field locations, whether it be from a truck en route to its destination or natural gas flowing from the north of Canada across the US border. Glentel is committed to be Canada's choice as a wireless integrator and wireless solution provider.

WirelessWave continues to show customer service leadership in each mall it services. WirelessWave holds a unique distinction of being the largest multi-carrier cellular retailer in Canada dedicated solely to the sale of cellular phones and services. We offer choice of cellular carrier and an attractive offering of the latest cellular phones and accessories. Consistent growth in operating cash flow has provided strength to our aggressive store expansion strategy.

The cellular consumer demand is continuing to grow. Canada has over 12 million cellular subscribers. With Europe enjoying a cellular subscriber base of over 50% of its total population, there is a positive outlook for our own Canadian cellular industry, with a potential of over 16 million subscribers. Of the current Canadian cellular users, over 6 million still use analog phones which utilize legacy cellular technology, most likely needing to be replaced within the next five years. Conservatively, this could mean there will be a pent-up demand for over 10 million cellular phones to be purchased in Canada by 2007. Convergence of the personal digital assistant (PDA), digital camera, and cellular phone into one compact device that fits comfortably in the palm of a hand, will also fuel a replacement consumer demand similar to the upgrading of personal computers. Glentel will continue its new-store openings in 2003, fueled by the steady increase in annual same-store sales and the early success enjoyed by store openings in recent months.

We are pleased that we have been able to expand and advance Glentel's two divisions with internally generated cash flows and with minimal debt. The future looks bright for our consumer and enterprise strategies.

We offer our customers simplicity. Recognizing the anxiety of dealing with the complexity and choice of technologies, our customers appreciate our team making their wireless choice and solution appear simple. Hence our Glentel motto, "Wireless Made Simple" and WirelessWave's "Cellular Made Simple."

We are leaders in what we do. We provide quality, knowledge, choice, and service to our customers, and we pledge to do so with honesty and integrity. In both the WirelessWave Retail Division and the Wireless Business Division, everything we do – every solution, product, and service we recommend and deliver – must provide value and affordability to our customer, resulting in increased productivity, greater efficiency, and maximum effectiveness. This is our customer pledge.

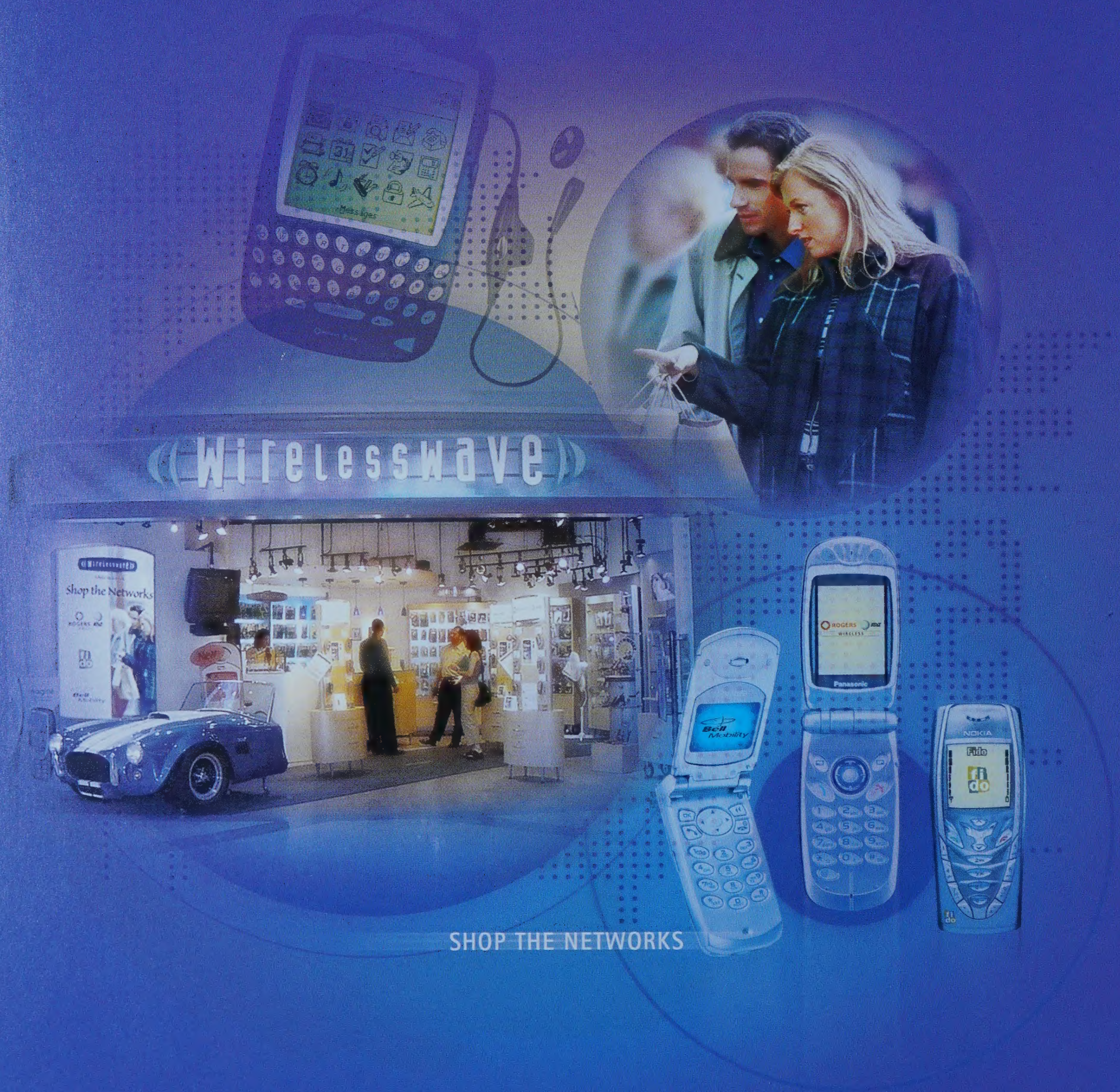
Glentel is blessed to have an extremely talented and dedicated team, which I have the privilege to lead. Thank you for your support.

Warmest regards,
On behalf of the board,

THOMAS E. SKIDMORE

Chairman, President and
Chief Executive Officer

WirelessWave Retail Division



Cellular made simple

Dramatic Retail Growth A mix of distinctive kiosks and in-line stores in major shopping malls in British Columbia, Alberta and Ontario, brand WirelessWave as one of the fastest growing retail chains in Canada. Having opened its first store in August 1997 at Metropolis at Metrotown in Burnaby, British Columbia, WirelessWave opened its 50th store in December 2002 in Scarborough Town Centre in Scarborough, Ontario. Thirteen new mall stores were opened in 2002.

WirelessWave stores provide a unique shopping experience to customers seeking leading-edge cellular electronics. Customers can shop the networks in one store, with the choice of three carriers and an extensive variety of cellular phones and accessories. Knowledgeable staff provide personalized service in a comfortable and friendly shopping environment. It is this ability to provide customers with an unbiased, informed choice that keeps the number of referral customers at an all-time high. Those customers who want to do additional research on their own can access the WirelessWave website to explore and compare for themselves the carrier rate plans and the most up-to-date cellular phone promotions.

WirelessWave strategically partners with Rogers AT&T Wireless, Bell Mobility, and FIDO (Microcell Solutions) to ensure quality network activations and superior customer care. In 2002, Rogers AT&T Wireless named WirelessWave their National Retail Partner of the Year for delivering a high level of knowledge, value, and service to its subscribers.

The cellular marketplace continues to expand with the introduction of new, integrated data products showcasing both traditional voice and advanced data applications. These include interactive gaming, built-in digital camera, personal organizer, e-mailing capabilities, and the ability to surf the web wireless. WirelessWave's mission is to be on the virtual doorstep to all new and innovative cellular product offerings and to push the boundaries to meet and exceed customer expectations.

WirelessWave will continue to differentiate itself from its competitors through a unique retail experience offering choice, value, knowledge, and service.
Cellular Made Simple.

www.wirelesswave.ca


Wireless Business Division
AMS
ADVANCED MOBILE SOLUTIONS
SES
SERVICE ENGINEERING SUPPORT
MOTOROLA
CP100
MOTOROLA
EX500
TRS
TERRESTRIAL RADIO SYSTEMS
SNS
SATELLITE NETWORK SERVICES

Wireless made simple

Wireless voice and data solutions, anytime, anywhere Glentel's Wireless Business Division is focused on providing customers with integrated wireless solutions through four core competencies.

Terrestrial Radio Systems (TRS) is the foundation of Glentel's business and has remained throughout the evolution of wireless technology. In this category, the Wireless Business Division provides sales, service, and rentals for its two-way radios, in-house systems, repeaters, mobile radios, terrestrial data, and network infrastructure.

Satellite Network Services (SNS) is designed for anytime, anywhere, wireless communications throughout the North American marketplace. These products and services incorporate the mobile satellite network (MSAT) and VSAT (Very Small Aperture Terminal) fixed satellite applications.

Advanced Mobile Solutions (AMS) is an evolving opportunity. As the technology has been advancing, our Wireless Business Division has adjusted to integrate these new products and services into its overall product offering. This core competency has expanded to include mobile data solutions, cellular, GPRS and 1X-RTT data networks, asset tracking, remote security, automatic vehicle location, in-vehicle navigation, emergency services, civil works, and public safety.

Service and Engineering Support (SES) is the central core ensuring that the wireless solutions Glentel offers and sells will continue to meet the ever-changing requirements of a growing customer base. The eleven national Wireless Business service centres, the engineering services, maintenance contracts, and external service sales are all part of maintaining above-average customer service and support levels.

Glentel is able to provide an extensive variety of voice and data communications systems to fit customer requirements. It offers solutions utilizing its own and COAM two-way terrestrial network, a fixed VSAT satellite services (FSS) network, a mobile satellite network (MSAT) through a National Full Service Provider arrangement with Mobile Satellite Ventures (a BCE member company), the 1X-RTT network of Bell Mobility, and the GPRS data network of Rogers AT&T Wireless.

Glentel-developed systems are employed by emergency services organizations across Canada and within the United States, including fire fighters, law enforcement agencies, emergency medical services, and disaster management organizations. Oil and gas companies, forestry, mining operations, railroads, trucking companies, tourism services, transit, utilities, and a wide variety of small, medium and large enterprises rely on Glentel-designed, installed, maintained, and serviced, voice and data collection systems.

Through its eleven service centres, Glentel is the prime contact for its customers in all aspects of an application, including support of in-vehicle devices, network infrastructure, service, billing and reconciliation. Recognition of this strong service support came in 2002 from the ACJV (Athabasca Construction Joint Venture) Project Management Team and Shell Canada when they awarded Vendor Excellence Awards to the top 25 of more than 1,200 vendors on their 18-month oil sands project; Glentel was honoured to receive this award for outstanding service.

Establishing and maintaining close relationships with strategic business partners, the Wireless Business Division is committed to integrating hardware, software, network access, airtime usage, system maintenance, and service into unique wireless communication and data management solutions.
Wireless Made Simple.

www.glentel.com

Management's Discussion and Analysis

CORE BUSINESSES, STRATEGY AND VISION

Glentel operates in two distinguishable industry segments providing wireless communication solutions. The WirelessWave Retail Division operates in major shopping malls in Canada, providing cellular products and services to customers while offering a choice of cellular carrier. The Wireless Business Division provides its customers with integrated wireless solutions in three core areas: terrestrial radio systems, satellite network services, and advanced mobile solutions.

Following on the previous year's stated objective, to improve the yield of each of its Operating Divisions, 2002 was a very successful year for Glentel. By leveraging management resources and systems put in place in 2001, growth in both sales and earnings was achieved.

In the WirelessWave Retail Division, emphasis was placed on growth by adding 13 new stores, bringing the total to 50 mall stores at December 31, 2002. With management structure and systems in place, and the successes achieved to date, the Division is poised for additional growth through new store openings in the future. This will enable us to provide our growing customer base with the quality of service they expect.

In the Wireless Business Division, a change in senior management was made during the year. With this management change, efforts were refocused on strengthening core competencies in the three core-product areas of terrestrial, satellite, and advanced mobile communications networks. Product management roles were added to each of these product categories to provide stronger supplier relationships and improved product knowledge and skills for our sales and service staff, to serve our customers better.

The Corporate General and Administrative Division continued its focus on cost containment and system improvements in 2002. With this emphasis, costs were reduced by 7.3% in 2002 over the previous year.

OPERATING RESULTS

2002 was a landmark year for Glentel as the Company reported positive financial results for the fiscal year, with sales reaching $55.9 million for the year ended December 31, 2002, a 13% increase over the restated $49.4 million the previous year. Operating income before interest, taxes, and losses from investments improved to $2.6 million compared to restated operating income of $431,000 in 2001. Operating income as a percentage of sales for the year increased to 4.6%, compared to 0.9% last year. Recognizing the increased scale of its retail operations, management reviewed various alternatives to account for warranty contracts. As a result, it implemented a new accounting policy, one which is currently prescribed for US public companies. As a result of the change, net income for the year ended December 31, 2002 has been reduced by $603,458 and the net loss for the year ended December 31, 2001 was increased by $343,247 from what had previously been reported. After the change in accounting policy for warranty contracts, net income for the year ended December 31, 2002, after income tax recovery of $1.1 million, was $3.6 million, or $0.45 income per share compared to a restated net loss of $2.6 million, or $0.32 loss per share in 2001.

WirelessWave Retail Division

Sales of retail cellular products and services by the WirelessWave Retail Division grew 34% to $33.9 million, compared to $25.2 million in 2001. This was the result of the growth in new stores during the year, in addition to the Division's continued focus to improve the yield per store, which saw same-store cellular activations increase by 5% for the stores that were open throughout both fiscal periods. WirelessWave expanded by 13 new stores in 2002, bringing the total number of mall stores to 50 at December 31, 2002.

Operating income before interest and taxes, for the WirelessWave Retail Division increased to $5.6 million in 2002, compared to $3.5 million in 2001. Operating income as a percentage of sales increased to 16.6%, compared to 14.0% last year.

Wireless Business Division

Sales of terrestrial radio systems, satellite network services, advanced mobile solutions, and service and engineering support by the Wireless Business Division were $22.0 million compared to $24.2 million in 2001. In order to correct this downward trend in the Division, the Company made a change in senior management during the year. The new management changed the focus to leverage the Division's core competencies. Product management roles have been added to strengthen our supplier relationships and improve the training and product knowledge of our sales and service staff required to serve our customers better.

Operating income before interest and taxes, for the Wireless Business Division decreased to $579,000 in 2002, compared to $1.1 million in 2001. Operating income as a percentage of sales decreased to 2.6%, compared to 4.6% last year.

Corporate Operations

The Company does not allocate general and administrative costs to the Operating Divisions. Service levels for the Company and the Divisions are determined and managed on a centralized basis in a cost-effective manner. Corporate general

and administrative expenses were $3.9 million for the year, ignoring a one-time benefit of $300,000 related to reversal of accrued expenses for a potential reassessment for income taxes that was dropped, as noted in the risk section of this report. The cost efficiency improvements in the Division during the year resulted in a 7.3% reduction in operating costs. As we continue to grow the Company, management will not be able to continue to hold the line on this trend in the future; however, increases will be implemented only when cost-justified measures have been approved.

LIQUIDITY AND CAPITAL RESOURCES

Working capital improved to $8.5 million at December 31, 2002 compared to $4.5 million the previous year. Cash was $2.5 million versus $3.3 million at December 31, 2001. Marketable securities, stated at the lower of cost and market, were $0.5 million (market value – $0.5 million) and were unchanged from last year. The Company anticipates that its cash and marketable securities will be sufficient to fund future operations. The Company's immediate plan is to continue to finance its planned growth through internally generated funds.

At December 31, 2002, the Company had long-term debt, including capitalized lease obligations, of $0.3 million, a decrease from $0.8 million in 2001. At December 31, 2002 the total debt to equity ratio was 0.68 compared to 0.86 in 2001. Total assets increased by $3.9 million to $30.4 million at December 31, 2002.

RISKS AND UNCERTAINTIES

The WirelessWave Retail Division continues to expand its locations in a competitive industry sector. The major product offerings (cellular phones, accessories and paging services) are provided by a limited number of highly price-competitive and market-share driven carriers, who effectively set retail margins for these products. An important aspect of the Division's strategy has been to achieve a critical mass so that carriers find the Division's continued success to be imperative for their own success. In assembling the critical mass, the Company has committed to long-term lease obligations for store premises for the Division as summarized in note 11 of the financial statements.

The Wireless Business Division provides business communication solutions for both voice and data transmission in a technology sector that, by definition, is constantly changing. Its product offering is to provide complete turnkey integrated wireless business solutions in the terrestrial, satellite, and new advanced mobile communications market. The Division's strategy is to migrate from providing primarily voice solutions to delivering integrated voice and data communication solutions. For the integrated solution sale, we deliver the product, obtain a service contract, and receive recurring revenue for providing maintenance service, network access, and airtime. To maintain profitability, the Division must successfully transition to delivering these integrated voice and data communication solutions, as well as maintain its strength with its customer base in the core terrestrial and satellite technology that the Division was built upon. In summary, the keys to success will be the ability of the Division to continue providing state-of-the-art technology with good economic value for business communications solutions, and staying focused on maintaining product lines our customers are confident we can deliver and support.

As previously disclosed, the Company received correspondence in 1998 from Canada Customs and Revenue Agency (CCRA), formerly Revenue Canada, indicating that it could be subject to reassessment of income taxes as a result of transactions related to the sale of its Canadian and US electronics manufacturing business in its 1992 taxation year. Subsequent to the year-end, the Company received correspondence from CCRA stating that they were closing the file on all issues in question relating to a potential reassessment for income taxes as a result of the transactions in 1992.

OUTLOOK FOR 2003

In the WirelessWave Retail Division, an aggressive expansion plan is scheduled for the year with approximately 15 new WirelessWave retail mall stores planned. Sales are projected to continue to increase, due to the maturing of stores opened during the past two years plus the impact of the new stores. Demand for cellular products continues to be strong, and higher residual income is projected as a result of the continued growth in the total subscriber base from activations.

In the Wireless Business Division, modest growth is projected. The target is to increase sales through increased emphasis in product management support, together with maintaining the margins achieved in 2002, to improve operating income for the Division.

Management is very pleased with the operating results in 2002. The WirelessWave Retail Division achieved and exceeded expectations. While the changes in management in the Wireless Business Division will require time to refocus the business, we are confident that the Division can recover its position in the marketplace.

The Company intends to fund the opportunities presented in the Divisions through working capital.

Management's Responsibility

The consolidated financial statements of Glentel Inc. have been prepared by management and approved by the Company's Board of Directors. Management is responsible for the preparation and presentation of the information contained in these consolidated financial statements and other sections of this annual report.

To ensure the reliability of the financial data, Glentel Inc. has established and maintains an internal control system that we believe gives reasonable assurance that financial reports do not contain any material misrepresentation.

The Board of Directors ensures that management fulfills its financial reporting responsibility and internal control through an Audit Committee. The Company's independent auditors, Deloitte & Touche LLP, have been appointed by the shareholders to express their professional opinion on the fairness of these consolidated financial statements.

THOMAS E. SKIDMORE

Chairman, President and
Chief Executive Officer

Dale B Belsher

DALE B. BELSHER

Chief Financial Officer

Auditors' Report

To the Shareholders of Glentel Inc.

We have audited the consolidated balance sheets of Glentel Inc. as at December 31, 2002 and 2001 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia

March 7, 2003

Consolidated Balance Sheets

December 31 (in thousands of dollars)

	2002	2001 (Restated – Note 2)
ASSETS		
CURRENT		
Cash	$ 2,536	$ 3,286
Marketable securities (Note 3)	465	465
Accounts receivable	8,114	5,577
Income taxes receivable	75	–
Current portion of leases receivable (Note 4)	138	138
Inventory	7,154	5,272
Prepaid expenses	434	562
Current portion of future income tax benefits	491	209
	19,407	15,509
LEASES RECEIVABLE (Note 4)	35	173
PROPERTY AND EQUIPMENT (Note 5)	10,258	10,458
DEFERRED PENSION COSTS (Note 6)	189	–
FUTURE INCOME TAX BENEFITS	499	339
	$ 30,388	$ 26,479
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 9,723	$ 8,857
Income taxes payable	–	1,049
Current portion of deferred extended warranty revenue (Note 7)	984	580
Current portion of long-term debt (Note 8)	189	528
	10,896	11,014
DEFERRED EXTENDED WARRANTY REVENUE (Note 7)	1,385	941
LONG-TERM DEBT (Note 8)	63	258
	12,344	12,213
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	33,536	33,513
Contributed surplus	1,158	1,158
Deficit	(16,650)	(20,405)
	18,044	14,266
	$ 30,388	$ 26,479

COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)

ON BEHALF OF THE BOARD:

Director

Ron Smarley
Director

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Operations

Years ended December 31 (in thousands of dollars except per share amounts)

	2002	2001 (Restated – Note 2)
Sales	$ 55,937	$ 49,386
Cost of sales	29,721	27,123
Operating and administrative expenses	20,673	18,852
Income before interest, losses from investments, taxes and amortization	5,543	3,411
Amortization, other than extended warranty sales	2,959	2,980
Operating income before:	2,584	431
Interest income	84	108
Interest expense – long-term	(110)	(94)
Losses from investments (Note 12)	–	(3,299)
Income (loss) before:	2,558	(2,854)
Income tax recovery (Note 13)	1,067	280
Net income (loss)	$ 3,625	$ (2,574)
Basic net income (loss) per share (Note 9 (d))	$ 0.45	$ (0.32)
Fully diluted net income per share (Note 9 (d))	$ 0.43	(Note 9 (d))

Consolidated Statements of Deficit

Years ended December 31 (in thousands of dollars)

	2002	2001
Deficit, beginning of year	$ (20,405)	$ (17,394)
Adjustment, formation of pension plan (Note 6)	130	–
Adjustment, change in accounting policy (Note 2)	–	(437)
Deficit, beginning of year, restated	(20,275)	(17,831)
Net income (loss)	3,625	(2,574)
Deficit, end of year	$ (16,650)	$ (20,405)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31 (in thousands of dollars)

	2002	2001 (Restated – Note 2)
OPERATING ACTIVITIES		
Net income (loss)	$ 3,625	$ (2,574)
Items not affecting cash:		
Amortization, other than extended warranty sales	2,959	2,980
Amortization, deferred extended warranty sales	(797)	(456)
Loss from investments	–	3,299
Future income taxes	(442)	(244)
	5,345	3,005
Cash (used for) generated by working capital	(4,549)	1,028
Deferred extended warranty revenue	1,645	1,131
	2,441	5,164
FINANCING ACTIVITIES		
Issuance of share capital	23	25
Increase in long-term debt	–	146
Repayment of long-term debt	(534)	(868)
	(511)	(697)
INVESTING ACTIVITIES		
Additions to property and equipment, net	(2,759)	(2,519)
Reduction in lease receivable	138	138
Increase in deferred pension costs	(59)	–
Advances to jointly controlled company	–	(781)
Proceeds from sale of car audio assets	–	122
	(2,680)	(3,040)
NET CASH (OUTFLOW) INFLOW	(750)	1,427
CASH POSITION, BEGINNING OF YEAR	3,286	1,859
CASH POSITION, END OF YEAR	$ 2,536	$ 3,286
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 110	$ 94
Income taxes paid (recovered), net	$ 499	$ (223)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2002 and 2001 (In thousands of dollars except per share amounts and amounts in narrative)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is incorporated under the Canada Business Corporations Act. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles:

(a) Basis of presentation

The financial statements include the accounts of the Company and its subsidiary. All material intercompany accounts and transactions have been eliminated upon consolidation.

(b) Marketable securities

Marketable securities are stated at the lower of cost and market.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value.

(d) Property and equipment

Property and equipment are recorded at cost. Amortization is computed on the declining balance basis, except for rental equipment which is on the straight-line basis. Annual rates to amortize the cost of capital assets over their estimated useful lives are as follows:

Buildings	4%
Rental equipment	2 to 5 years
Equipment	10% to 30%
Software	30%

Leasehold improvements are amortized over the terms of the respective leases, including the first renewal option.

(e) Revenue recognition

Revenue is recognized upon delivery of goods or services. Rental revenue from rental of equipment is recognized over the period of the lease. Extended warranty sales are deferred and amortized to sales in the statement of operations on a straight-line basis over the warranty period (Note 2).

(f) Net income (loss) per share

Basic income (loss) per share has been calculated using the monthly weighted average number of common shares outstanding during the year. Fully diluted earnings per share is calculated by application of the treasury stock method for stock options.

(g) Income taxes

Future income taxes, when recognized, reflect the tax effect, using enacted tax rates, of differences between the book and tax bases of assets and liabilities and the anticipated benefit of losses carried forward for income tax purposes (Note 13).

(h) Stock-based incentive plans

The Company has granted options to selected directors, officers, employees and consultants. The fair value based method is used to account for stock options granted to non-employees, and related compensation cost is measured at the grant date based on the fair value of the options granted and is recognized in the period the options are granted. The intrinsic value method is used to account for stock options granted to employees. No compensation expense is recognized when stock options are issued to employees as stock options are granted at a price not lower than the quoted market price of the shares at the date of the grant. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock options is charged to deficit.

(i) Foreign currency

Transactions denominated in US dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in earnings.

(j) Pension costs

Pension costs are charged to income as they accrue. In determining pension expense, the unrecognized pension surplus or liability, adjustments arising from changes in actuarial assumptions, and experience gains and losses are being amortized on a straight-line basis over the expected average remaining service life of the employee group. The assets of the pension plan are valued at market values.

(k) Financial instruments

The Company's financial instruments include cash, accounts receivable, leases receivable, accounts payable and accrued liabilities and long-term debt. The fair value of financial instruments approximates carrying value. Market values of investments in marketable securities have been disclosed in Note 2.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of accounts receivable, inventory and property and equipment, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CHANGE IN ACCOUNTING POLICY

Recognizing the increasing scale of its retail activities, the Company reviewed alternatives to account for warranty contracts. As a result, it has implemented a new policy, one which is currently prescribed for US public companies.

Per the predecessor policy, the Company reported substantially all extended warranty revenue at the time of sale, recognizing that these contracts were non-refundable. Under the new policy, the Company defers extended warranty revenue, to be amortized over the warranty period.

The Company implemented its new policy on a retroactive basis. As a result of the change, retained earnings as at January 1, 2001 have been reduced by $437,263, net loss for the year ended December, 31, 2001 has been increased by $343,247, and net income for the year ended December 31, 2002 has been reduced by $603,458 from what would have been otherwise reported. These adjustments are reflected in adjustments to future income tax benefits and deferred extended warranty revenue per the balance sheets as at December 31, 2001 and 2002.

3. MARKETABLE SECURITIES

	2002	2001
Investment in shares of other public companies, market value – $470 (2001 – $755)	**$465**	$465

4. LEASES RECEIVABLE

The leases represent capital equipment leases yielding interest at 10% per annum and maturing in 2003 and 2004.

5. PROPERTY AND EQUIPMENT

	2002			2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	**$ 114**	**$ –**	**$ 114**	$ 194
Building	**41**	**11**	**30**	501
Leasehold improvements	**6,895**	**2,923**	**3,972**	3,312
Equipment	**5,869**	**2,259**	**3,610**	3,656
Rental equipment	**8,063**	**7,087**	**976**	1,427
Software	**3,504**	**2,021**	**1,483**	997
Leased equipment	**1,059**	**986**	**73**	371
	$25,545	**$15,287**	**$10,258**	$10,458

Rental income generated from the rental of equipment amounted to $2,950,000 (2001 - $2,762,000).

6. EMPLOYEE FUTURE BENEFITS

With effect from January 1, 2002, subject to regulatory approval, the Company ceased to participate in a defined benefit pension plan (the "Former Plan") which it shared with its parent company. In expectation of final regulatory approval, the Company has determined that it has a new defined benefit plan, and that all the Former Plan's assets and liabilities that were attributable to the Company's employees were assumed as at January 1, 2002.

Years ended December 31, 2002 and 2001 (In thousands of dollars except per share amounts and amounts in narrative)

The segregation of the Company's pension plan has permitted full implementation of defined benefit pension plan accounting practices during 2002. As a result of this development, retained earnings as at January 1, 2002 have been increased by $130,300 to reflect the deferred pension costs at that date.

Information about the Company's defined benefit pension plan in aggregate, as at December 31, 2002 is as follows:

PLAN ASSETS	
Fair value at beginning of year	$ 1,808
Actual return on plan assets	(39)
Employer contributions	211
Employees' contributions	133
Benefits paid	(293)
Fair value at end of year	$ 1,820
ACCRUED BENEFIT OBLIGATION	
Balance at beginning of year	$ 1,687
Current service cost	189
Employees' contributions	133
Interest cost	130
Withdrawals and benefits paid	(293)
Balance at end of year	$ 1,846
Funded status – plan deficit	$ (26)
Unamortized net actuarial losses	586
Unamortized transitional assets	(371)
Deferred pension costs	$ 189

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Discount rate	7.0%
Expected long-term rate of return on plan assets	7.0%
Rate of compensation increase	4.0% – 4.5%

The Company's net benefit plan expense is as follows:

Current service cost	$ 189
Interest cost	130
Expected return on plan assets	(128)
Amortization of transitional asset	(53)
Amortization of experience losses	14
	$ 152

7. DEFERRED EXTENDED WARRANTY REVENUE

	2002	2001
Deferred extended warranty revenue	$ 2,369	$ 1,521
Less: Amounts to be amortized within one year	984	580
Long-term portion of deferred extended warranty revenue	$ 1,385	$ 941

8. LONG-TERM DEBT

	2002	2001
Obligations under capital lease Interest rates vary from 7.2% to 16.6%. These leases expire between 2003 and 2004	$ 252	$ 510
Note payable Interest at 8.44%. Loan repaid by June 2002	–	276
	252	786
Less: Current portion	(189)	(528)
	$ 63	$ 258

The future principal and interest payments on the note payable and capital leases are as follows:

	2002	2001
2002	$ –	$ 580
2003	207	207
2004	69	69
	276	856
Less: Interest	24	70
	$ 252	$ 786

9. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued

	Common Number	Common Amount
Balance, December 31, 2000	8,002,295	$33,488
Issued for cash	46,050	25
Balance, December 31, 2001	8,048,345	33,513
Issued for cash	43,750	23
Balance, December 31, 2002	**8,092,095**	**$33,536**

(c) Stock-based incentive plans

The details of the Company's share option plan, under which eligible employees, directors and consultants can be granted options to purchase common shares, at a price not less than the market value of the shares at the date granted, are as follows:

	2002 Shares	2002 Weighted Average Exercise Price	2001 Shares	2001 Weighted Average Exercise Price
Outstanding at beginning of year	**948,000**	**$3.04**	982,800	$2.96
Granted	**198,000**	**0.95**	40,000	1.80
Exercised	**(43,750)**	**0.53**	(46,050)	0.55
Relinquished and expired	**(250,000)**	**7.00**	(28,750)	0.55
Outstanding at end of year	**852,250**	**$1.56**	948,000	$3.04
Options exercisable at end of year	**600,500**		815,500	

Range of Exercise Prices	Options Outstanding: Number Outstanding at December 31, 2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable: Number Exercisable at December 31, 2002	Weighted Average Exercise Price
$0.40 to $0.95	402,750	7.26 years	$0.75	203,500	$0.55
$1.80	40,000	8.02 years	1.80	10,000	1.80
$2.10 to $2.65	409,500	6.58 years	2.39	387,000	2.38

Options granted to directors are exercisable immediately and expire after ten years. All other options are exercisable on the basis of 25% of the options per year on a cumulative basis, beginning after one year and expiring after ten years. The maximum number of shares issuable pursuant to the option plan shall not exceed 1,600,000.

(d) Additional disclosures

Effective January 1, 2002, the Company implemented recommendations of the Canadian Institute of Chartered Accountants to provide the following information. This information relates to options granted after the implementation date.

Notes to the Consolidated Financial Statements

Years ended December 31, 2002 and 2001 (In thousands of dollars except per share amounts and amounts in narrative)

(i) Stock options granted to employees

The following pro forma financial information presents the net income and the net income per share had the Company adopted the fair value method for all stock options issued to directors, officers and employees:

Net income for the year	$ 3,625
Additional stock-based compensation cost	(9)
Pro forma net income	$ 3,616
Pro forma basic net income per share	$ 0.45
Pro forma diluted net income per share	$ 0.43
Risk-free interest rate	3.97%
Expected life	5 years
Weighted-average share price volatility	67.46%
Expected dividends	$ –

(ii) Income (loss) per share

Reconciliation of dilution of basic earnings per share for the year ended 2002 is as follows:

	Net income	Weighted Average Number of Common Shares	Net Income Per Share
Basic net income per share	$ 3,625	8,063	$ 0.45
Stock option plan	–	403	(0.02)
Fully diluted net income per share	$ 3,625	8,466	$ 0.43

Fully diluted earnings per share was not reported in 2001, because the result was anti-dilutive. Weighted average number of common shares in 2001 was 8,029,753.

10. RELATED PARTY TRANSACTIONS

(a) The Company had the following transactions with its majority shareholder:

	2002	2001
Management fees	$ 250	$ 250
Operating and administrative expenses	362	250
Construction services – stores	1,596	764

As at December 31, 2002, the Company owed its majority shareholder $156,000 (2001 - $855,000).

(b) On May 1, 2001, the Company sold certain assets of its automotive audio and security systems business to its majority shareholder at fair value and realized a gain of $73,000.

11. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The future minimum operating lease and maintenance commitments of the Company are as follows:

2003	$ 2,982
2004	2,877
2005	2,554
2006	1,932
2007	1,539
Subsequent years	2,951
	$ 14,835

(b) Legal actions have been commenced against the Company in connection with various matters arising during the normal course of business activities. Management is of the opinion that the cost of settling and defending such actions will not be significant and, accordingly, no provision for losses has been reflected in these financial statements.

12. LOSSES FROM INVESTMENTS

	2002	2001
Marketable securities		
Write-down to market value	$ –	$ (2,533)
Loss from write-off of interest in jointly controlled company	–	(839)
Other	–	73
	$ –	$ (3,299)

13. INCOME TAXES

The components of the income tax expense are as follows:

	2002	2001
Current recovery	$ 625	$ 36
Future (expense) recovery	(867)	244
Tax benefits not previously recognized	1,309	–
Net tax recovery	$ 1,067	$ 280

Although enacted income tax rates approximate 36% or less, the effective rates per the statements of income for 2002 and 2001 are considerably lower. This reflects the impact of the undernoted unrecorded benefit, routine non-deductible expenses and miscellaneous adjustments.

The Company had additional timing differences of approximately $5,932,000 as at December 31, 2002 (2001 - $12,321,000) for which no benefit was recognized. $3,946,000 (2001 - $9,721,000) relates to losses upon sale of investments for which future benefits, if any, will be restricted to one half of enacted rates. The benefit, if any, of these timing differences will be recognized when realized.

14. SEGMENTED INFORMATION

The Company operates in two distinguishable industry segments. The Wireless Business Division provides a wide range of terrestrial, satellite and advanced mobile communications products and services to commercial and industrial customers. The WirelessWave Retail Division provides personal communications products and services to consumers. Information by business segment is as follows:

	2002	2001
Sales to external customers:		
Wireless Business Division	$22,036	$24,161
WirelessWave Retail Division	33,901	25,225
	55,937	49,386
Income (loss) before interest, losses from investments, taxes and amortization:		
Wireless Business Division	2,172	3,052
WirelessWave Retail Division	6,744	4,342
Corporate	(3,373)	(3,983)
	5,543	3,411
Amortization other than deferred warranty sales:		
Wireless Business Division	1,593	1,929
WirelessWave Retail Division	1,116	801
Corporate	250	250
	2,959	2,980
Operating income (loss) before interest income, long-term debt expense and losses from investments:		
Wireless Business Division	579	1,123
WirelessWave Retail Division	5,628	3,541
Corporate	(3,623)	(4,233)
	$ 2,584	$ 431
Assets employed:		
Wireless Business Division	$11,505	$11,013
WirelessWave Retail Division	14,554	9,971
Corporate	4,329	5,495
	$30,388	$26,479
Net capital expenditures:		
Wireless Business Division	$ 1,143	$ 367
WirelessWave Retail Division	2,125	2,096
Corporate	(509)	56
	$ 2,759	$ 2,519

Corporate Information

DIRECTORS

Thomas E. Skidmore
West Vancouver, BC

A. Allan Skidmore
Milner, BC

Arthur Skidmore
West Vancouver, BC

Ronald E. Sowerby
Coquitlam, BC

Gaylord U. Hazelwood
Cookstown, ON

Robert R. Dodd
New Westminster, BC

OPERATIONS MANAGEMENT

Thomas E. Skidmore
President & Chief Executive

Dale B. Belsher
Chief Financial Officer

David M. Hartman
Vice President, Operations
WirelessWave Retail Division

Daniel H. Lowndes
Vice President, Operations
Wireless Business Division

Cary T. Skidmore
Vice President, Marketing

Ken Lim
General Manager
Wireless Business Division

Damon Jones
General Manager
WirelessWave Retail Division

CORPORATE WEBSITES

www.glentel.com
www.wirelesswave.ca

OFFICERS

Thomas E. Skidmore
Chairman, President &
Chief Executive Officer

A. Allan Skidmore
Vice Chairman

Ronald E. Sowerby
Corporate Secretary

Dale B. Belsher
Chief Financial Officer

ANNUAL MEETING

The company's annual meeting will be held on Wednesday, May 14, 2003 at 9.30 a.m. at the Hilton Vancouver Metrotown in Burnaby, BC

STOCK INFORMATION

Glentel trades on The Toronto Stock Exchange (trading symbol GLN)

TRANSFER AGENT

Shareholders with a change of address or questions about their account may contact the registrar at:

Computershare Trust
Company of Canada,
510 Burrard Street
Vancouver, BC V6C 3B9
Tel 1 888 661 5566
www.computershare.com

WirelessWave Stores

BRITISH COLUMBIA

Abbotsford	Sevenoaks Shopping Centre
Burnaby	Brentwood Town Centre
	Lougheed Town Centre
	Metropolis at Metrotown
Chilliwack	Cottonwood Mall
	Corner of Airport and Young
Coquitlam	Coquitlam Centre
Kamloops	Aberdeen Mall
Kelowna	Orchard Park Mall
Langley	Willowbrook Shopping Centre
Nanaimo	Woodgrove Centre
Penticton	Cherry Lane Shopping Centre
Prince George	Pine Centre**
Richmond	Richmond Centre
Surrey	Guildford Town Centre
Vancouver	Oakridge Shopping Centre
	Pacific Centre
Vernon	Village Green Mall
Victoria	Mayfair Shopping Centre
	Hillside Shopping Centre**
West Vancouver	Park Royal South

ALBERTA

Calgary	Chinook Centre
	Eaton Centre
	Southcentre
Edmonton	Kingsway Garden Mall
	Londonderry Mall
	Southgate Centre
	West Edmonton Mall

ONTARIO

Barrie	Georgian Mall
Belleville	Quinte Mall**
Brantford	Lynden Park Mall*
Burlington	Mapleview Shopping Centre
Cambridge	Cambridge Centre
Etobicoke	Woodbine Centre
Hamilton	Lime Ridge Mall
Kingston	Cataraqui Town Centre**
Kitchener	Fairview Park Mall
London	Masonville Place
	White Oaks Mall
Markham	Markville Shopping Centre
Milton	Milton Mall**
Mississauga	Erin Mills Town Centre
	Square One Shopping Centre
New Market	Upper Canada Mall
North York	Fairview Mall
Oshawa	Oshawa Centre
Ottawa	Carlingwood Shopping Centre**
	Place D'Orleans**
Pickering	Pickering Town Centre
Scarborough	Scarborough Town Centre
Stoney Creek	Eastgate Square
Thornhill	Promenade Shopping Centre
Toronto	BCE Place
	Dufferin Mall
	Hudson's Bay Centre**
	TD Centre
	Toronto Eaton Centre
Waterloo	Conestoga Mall
Windsor	Devonshire Mall

Wireless Business Centres

BRITISH COLUMBIA	Vancouver
	Fort St. John
ALBERTA	Calgary
	Edmonton
	Grande Prairie
	Lethbridge
	Medicine Hat
	Red Deer
SASKATCHEWAN	Saskatoon
ONTARIO	Toronto
	Hamilton

*OPEN 1ST QUARTER OF 2003

**OPEN 2ND QUARTER OF 2003

Glentel Inc. 8501 Commerce Court, Burnaby, British Columbia, Canada V5A 4N3
TEL 604 415 6500 FAX 604 415 6565 www.glentel.com www.wirelesswave.ca